



Commitment

Competence

Character

PERSI CHOICE 401(K) PLAN

SCO Conference 2013

Choice Plan Review

- Structure and plan design,
- Investment options,
- Overall costs

PERSI Choice Plan History

- A brief history of the Choice Plan from inception to today, including:
 - Legislative interim committee review of DB plan
 - Gain sharing impact
 - Original plan design decisions (investment options, record keeping, costs, member education)
 - Plan modifications since 2001

Legislative Interim Committee

❖ Defined Benefit v. Defined Contribution Debate

- ◆ Legislative topic in 1999-2000
- ◆ Legislative Interim Committee established
 - Trustee Sullivan involved
 - Committee Affirmed
 - PERSI DB Plan remain intact, with mandatory participation
 - DC plan as add-on, with voluntary participation
 - Educational program to educate members on DC plan investment and retirement planning
- ◆ Base Plan funded status was 113%
- ◆ Gain Sharing became part of discussions

Gain Sharing

◆ Gain Sharing Opportunity

- ◆ Allocation decisions made, once Gain Sharing established
 - Based on Base Plan funded status as of 6/30/2000
 - Board established general allocation parameters, and allocation for 2001 in particular
 - \$155,381,000 Gain Sharing distributions in 2001
 - 50% Employers (credit; some used this for employer match)
 - 38% Employees (gain sharing contribution to 401(k) account)
 - 12% Retirees (13th check)
- ◆ Provided for rate stabilization (vs. benefit enhancements)

◆ DC Plan Design Options were evaluated

DC Plan Design

◆ Concepts adopted by Board

- ◆ Separate education and record keeping vendors
- ◆ DC program to offer index funds and investments through other vendors (unbundled)
- ◆ Educating members important to program success
 - DC plan operates quite differently from DB plan
 - DC plan contains different risk factors
- ◆ PERSI among pioneers in “daily valuation”
 - Important risk control measure for Base Plan and beneficial for DC environment
- ◆ State 401(k) Plan (Idaho Super Saver Plan) was extended to all PERSI eligible members (IRS issued Private Letter Ruling)

Plan Changes

❖ Investment Fund Lineup & Policy Updates

- ◆ 8/1/2003 -
 - replaced ING Small Cap with T. Rowe Price Small Cap (performance)
- ◆ 10/1/2007 -
 - Replaced Dreyfus Mid-Cap with Mellon Wilshire 4500 Completion Fund (performance, active to inactive)
 - Add Calvert Socially Responsible Balanced Fund (Sudan-Free)
- ◆ 10/30/2010 -
 - Add PERSI Short-Term Portfolio (STIP) fixed income option
- ◆ 6/21/2011
 - SEI Stable Asset Fund option ended

Investment Fund Lineup - 2001

❖ 2/27/2001 Board Meeting

- ◆ Board approved selection of asset classes & investment managers recommended in Mercer report

❖ Active Managers

- ◆ Large Cap Core Equity
- ◆ Mid Cap Core Equity
- ◆ Small Cap Core Equity
- ◆ International Equity Core
- ◆ Core Plus Fixed Income
- ◆ Stable Value Fixed Income

❖ Passive Managers

- ◆ S&P 500 Index
- ◆ Wilshire 5000 Index
- ◆ Lehman Brothers Aggregate Bond Index
- ◆ EAFE Index

Fund Allocations - 12/31/2001

Public Employee Retirement System of Idaho
Ending Market Values for the PERSI Choice Plan
Balances as of December 31, 2001

Variable Funds	Ending Value	Percent of Total
Bond		
Mellon DL Aggregate Bond Index	\$ 76,988	0.1%
Dodge & Cox Income Fund	\$ 1,435,288	1.7%
Balanced		
PERSI Total Return Fund	\$ 65,072,366	76.3%
Large Cap Equity		
Vanguard Growth & Income - Investor	\$ 5,516,152	6.5%
Equity Index		
Mellon S&P 500 Stock Index Fund	\$ 4,381,050	5.8%
Combined Equity Index		
Mellon Wilshire 5000 Stock Index Fund	\$ 53,009	0.1%
Mid Cap Equity		
Dreyfus Premier Mid Cap Stock Fund R	\$ 184,765	0.2%
Small Cap Equity		
Aetna Small Company Fund I	\$ 1,646,316	1.9%
International Equity		
Mellon DL International Stock Index Fund	\$ 35,412	0.0%
Brandes Institutional International Equity Fund	\$ 1,557,922	1.8%
Stable Value		
SEI Stable Value Fund	\$ 4,241,657	5.0%
Loans		
Loan Fund	\$ 536,923	0.6%
Total Market Value	\$ 85,337,849	100.0%

Investment Fund Lineup - 2012

❖ **Balanced Options**

- ◆ PERSI Total Return Fund
- ◆ Calvert Social Investment

❖ **Equity Options**

- ◆ Mellon US Equity Market (Wilshire 5000)
- ◆ Mellon S&P 500 Stock Index Fund
- ◆ Vanguard Growth & Income
- ◆ Mellon Market Completion Stock Index Fund (Wilshire 4500)
- ◆ T. Rowe Price Small Cap Stock Fund
- ◆ Mellon International Stock Index Fund (MSCI EAFE)
- ◆ Brandes International Equity Fund

❖ **Fixed Income Options**

- ◆ Mellon Aggregated Bond Index Fund
- ◆ Dodge & Cox Fixed Income Fund
- ◆ PERSI Short-Term Investment Portfolio (STIP)

Fund Allocations - October 2012

Asset Allocation **

	Month-end <u>Mkt Value</u>	Alloc by <u>Fund</u>	Alloc by <u>Asset Class</u>
<i>Balanced Options:</i>			80.9 %
PERSI Total Return Fund	\$ 382,402,720	80.7 %	
Calvert SRI Sudan Free Fund	\$ 790,268	0.2 %	
<i>Domestic Equity Options:</i>			8.3 %
Mellon Wilshire 5000 Stock Index Fund (Wil 5000)	\$ 3,332,156	0.7 %	
Mellon S&P 500 Stock Index Fund (S&P 500)	\$ 8,085,757	1.7 %	
Vanguard Growth & Income Fund (S&P 500)	\$ 9,982,035	2.1 %	
Mellon Wilshire 4500 Index Fund (Wil 4500)	\$ 5,704,292	1.2 %	
T. Rowe Price Small Cap Stock Fund (RU 2000)	\$ 12,281,269	2.6 %	
<i>International Equity Options:</i>			1.9 %
Mellon International Stock Index Fund (MSCI EAFE)	\$ 3,450,623	0.7 %	
Brandes International Equity Fund (MSCI EAFE)	\$ 5,656,116	1.2 %	
<i>Fixed Income Options:</i>			7.7 %
PERSI Short-Term Investment Portfolio	\$ 10,813,742	2.3 %	
Dodge and Cox Fixed Income Fund (BC Aggregate)	\$ 12,313,742	2.6 %	
Mellon Aggregate Bond Index Fund (BC Aggregate)	\$ 13,427,719	2.8 %	
<i>Other:</i>			
Loans	\$ 5,547,423	1.2 %	1.2 %
Total DC Plan	\$ 473,787,862	100.0 %	100.0 %

Statistics (* = \$ in millions)

	12/31/2001	06/30/2004	06/30/2012	10/31/2012
EE Contrib.*	\$2.1	\$17.3	\$32.3	
Rollovers*	\$0.2	\$3.4	\$9.6	
ER Contrib.*	\$1.7	\$0.2	\$0.4	
Avg. Balance			\$10,517	\$10,997
O/S Loans #	190	356	1,255	1,273
O/S Loans \$*	\$0.5	\$1.1	\$5.4	\$5.6
Eligible #	64,459	65,000	66,666	66,967
Deferring #	3,512	6,771	10,178	10,832
Deferring %	0.54%	10.40%	15.27%	16.18%
Fund Balance*	\$84.8	\$139.3	\$453.1	\$474.0

Vendors - Now

- ◆ **Fund Custodian - BNY Mellon**
- ◆ **Record Keeper - Xerox HR Solutions***
 - ◆ Renewed in 2006 via 2nd RFP process
 - ◆ Contract ends 12/31/2014
- ◆ **Communication - Xerox HR Solutions* / PERSI Staff**
- ◆ **General Investment Consultant - Callan**
 - ◆ Hired 1/1/2004
 - ◆ Oversees investment funds, conducts RFP's

*Mellon sold the record keeper business to ACS HR Solutions, which was subsequently purchased by Xerox.

Xerox HR Solutions

❖ Education emphasis

- ◆ Kaci Guthrie, Xerox HR Solutions trainer for Choice Plan
- ◆ Works with Employees and Employers
- ◆ Initiating Employer Survey to determine how to best deliver education efforts

❖ Xerox enhancements

- ◆ “Account Projection” - added in 2010
- ◆ “Total Retirement Planning” - Morningstar tool in the works
 - Member can personalize retirement planning (all retirement plan income, expenses) and get investment suggestions
 - Would be added cost to the plan and/or participants

Retirement Income

❖ “Three-legged Stool” for Income Replacement

- ◆ Social Security: 41% (for average wage earner)
- ◆ PERSI Base Plan: 10 - 60% (estimated)
 - 10% for retiree with 5 years of service (just vested)
 - 60% for retiree with 30 years of service (career type)
 - 34% for retiree with 17.2 years of service (average)
- ◆ Personal Savings could include
 - PERSI Choice 401(k) Plan
 - Other retirement plans offered by PERSI employers (e.g., 457, 403(b), other 401(k), IRA)

Social Security + PERSI = 51-101% income replacement



Questions/Comments?

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